Risk Management: Is Project Management For Adults

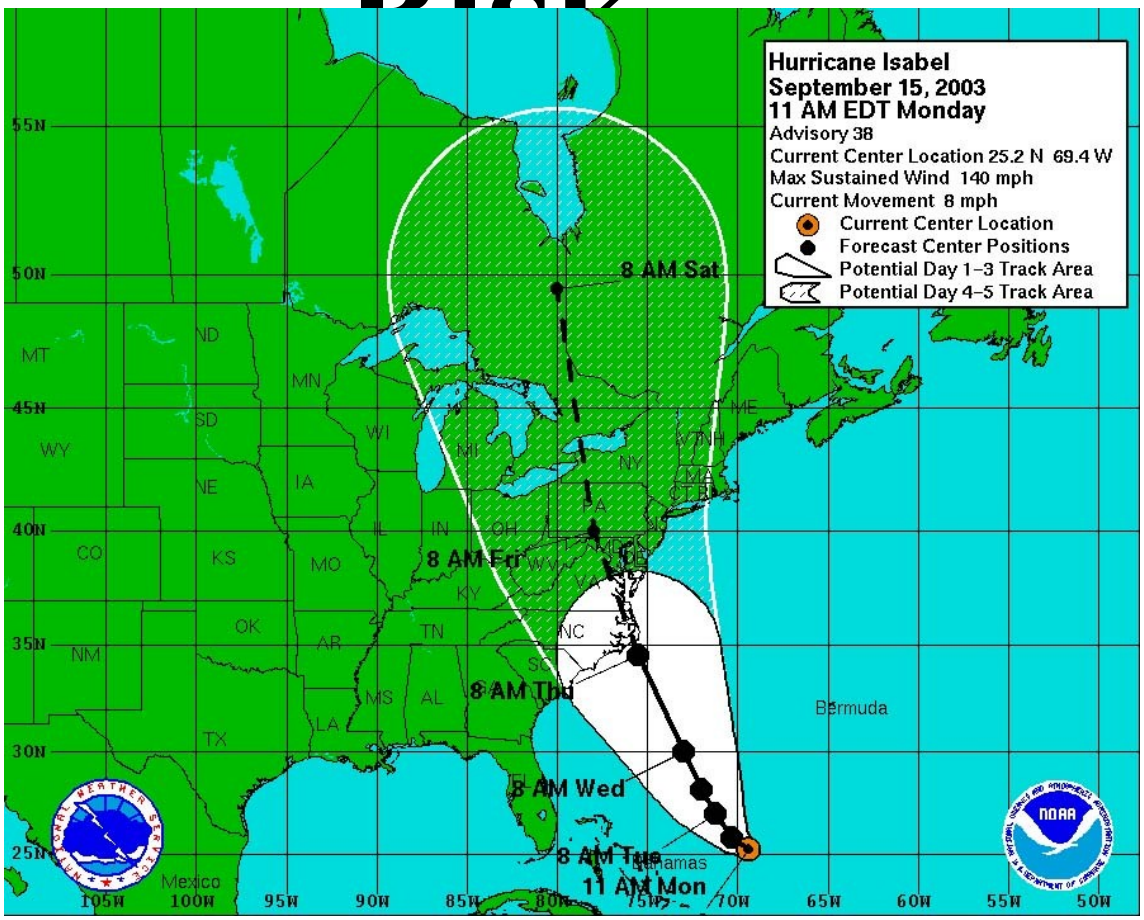
Presented by Tim Lister

Defense Acquisition University May 24, 200

Do Great High Jumpers Compete at 1.25 meters?

What Does it Cost to Build a Swimming Pool?

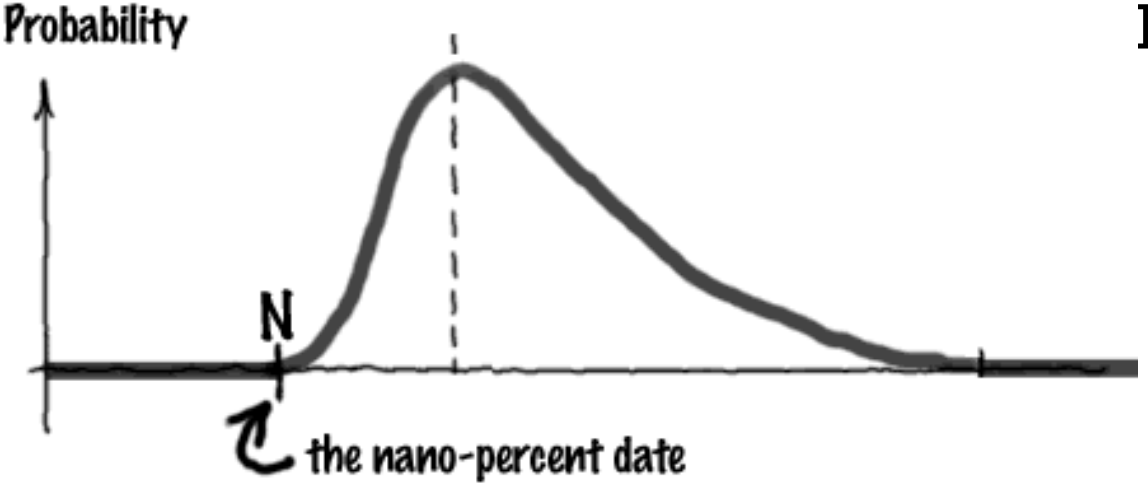
2 Ways to Think About Risk



- **A *risk* is a potential problem.**

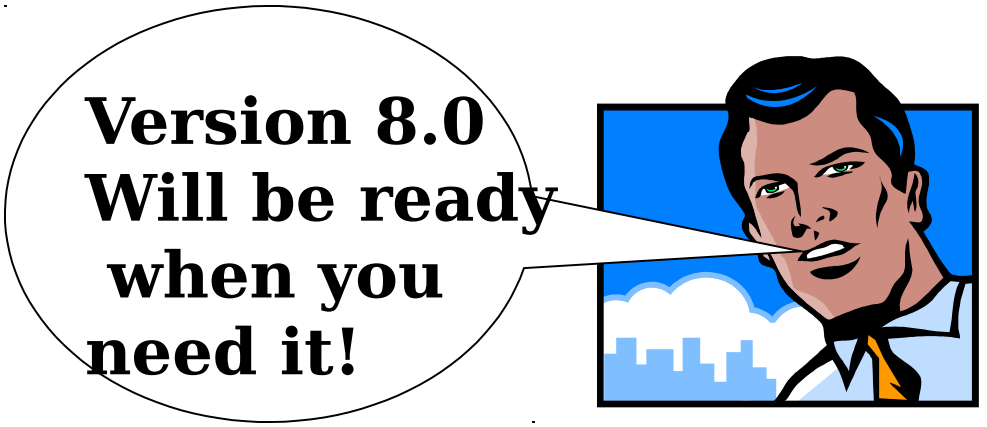
2 Ways to Think About Risk...

- **A *risk* is any variable on your project that, within its normal distribution of possible values, could take on a value n fatal,**



We Can’t Avoid Risk…

- **All projects with benefit but no risk were completed long ago.**
- **You can’t control many of the variables that could be risks.**



voiding a risk usually lowers the value of the product.

(Value inside a Risk.)

A Risk Ritual…

- **Identify risks**
- **Assess risk exposure**
- **Determine which risks to manage**
- **Form action plans for *direct* risks.**
- **Form mitigation plans for *indirect* risks.**
- **Determine contingency fund.**
- **Build tripwires into project plan.**
- **Keep the process going…**

Identify Risks

- **Don’t start with a blank sheet -- *www.sei.cmu.edu* then “software risk management”**
- **McConnell’s *Rapid Development***
- **Sweep for risks using brainstorms**
- **Keep tribes separa**

Assess Risk Exposure

- **Determine probability of risk becoming problem.**
- **Determine cost/effort if it does become a problem**

Oh, that on-coming train!

Determine Which Risks to Manage

- **Is there a profitable trade-off here?**
- **Are there any actions I can take now that will either lower the probability or the cost?**
- **Should I try to contain this risk by building some contingency into my plan?**

Form Action Plans for Direct Risks

- **Some risks you can mitigate immediately.**
- **This mitigation will cause you to change project plan, product definition, staffing plan… something!**

Form Mitigation Plans for Indirect Risks

- **Some risks you can’t mitigate now.**
- **Determine actions if the problem manifests.**
- **Determine tripwire for risk-problem transition.**
- **Build in contingency.**

Indirect Risk Mitigation…

Risk 3: All functionality may not be ready to go at start of new fiscal year.

Mitigation: Build “bridge code’ between old system and new, using sub-systems 3 and 4 of old until all is ready.

Probability: 50%

Tripwire: If all DDRs are not passed by 12/21/1999, we build bridge.

Cost: Al + 2 contractors = 6 work months = $170,000

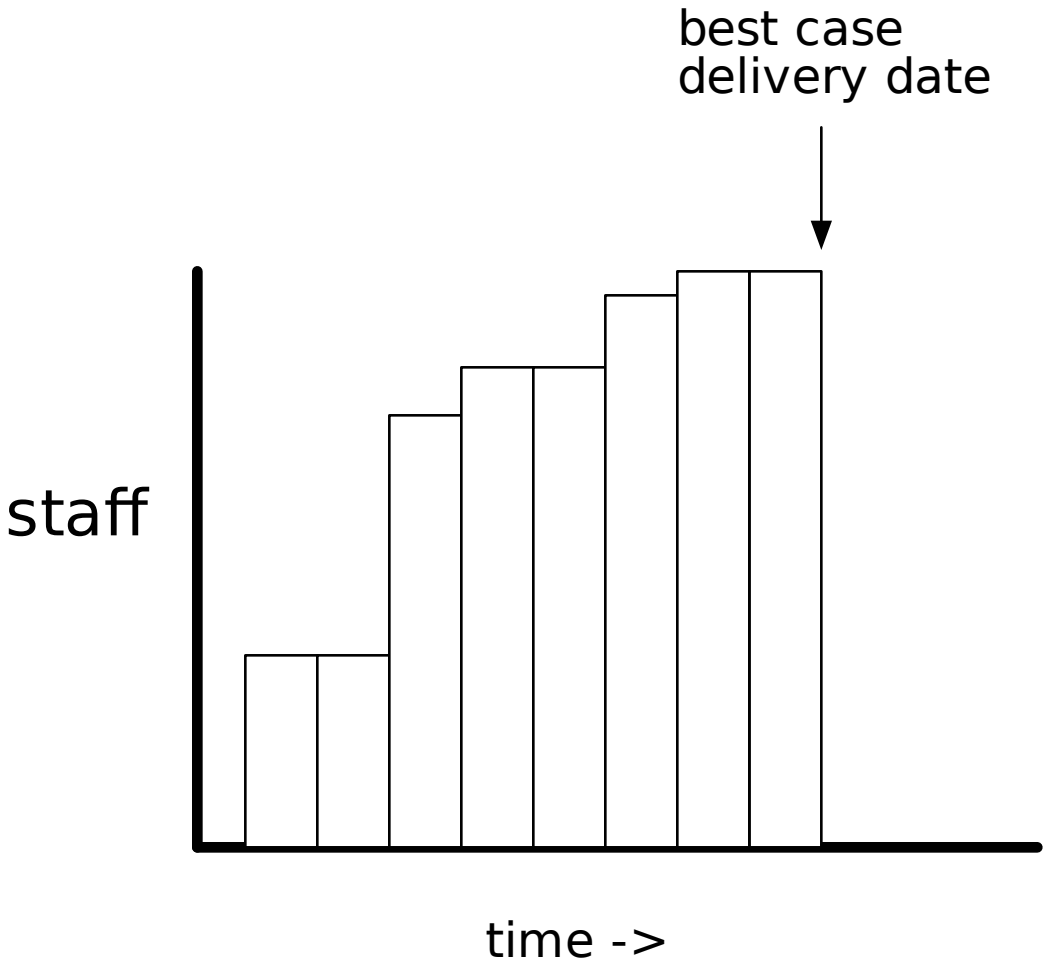
Determine Contingency Fund

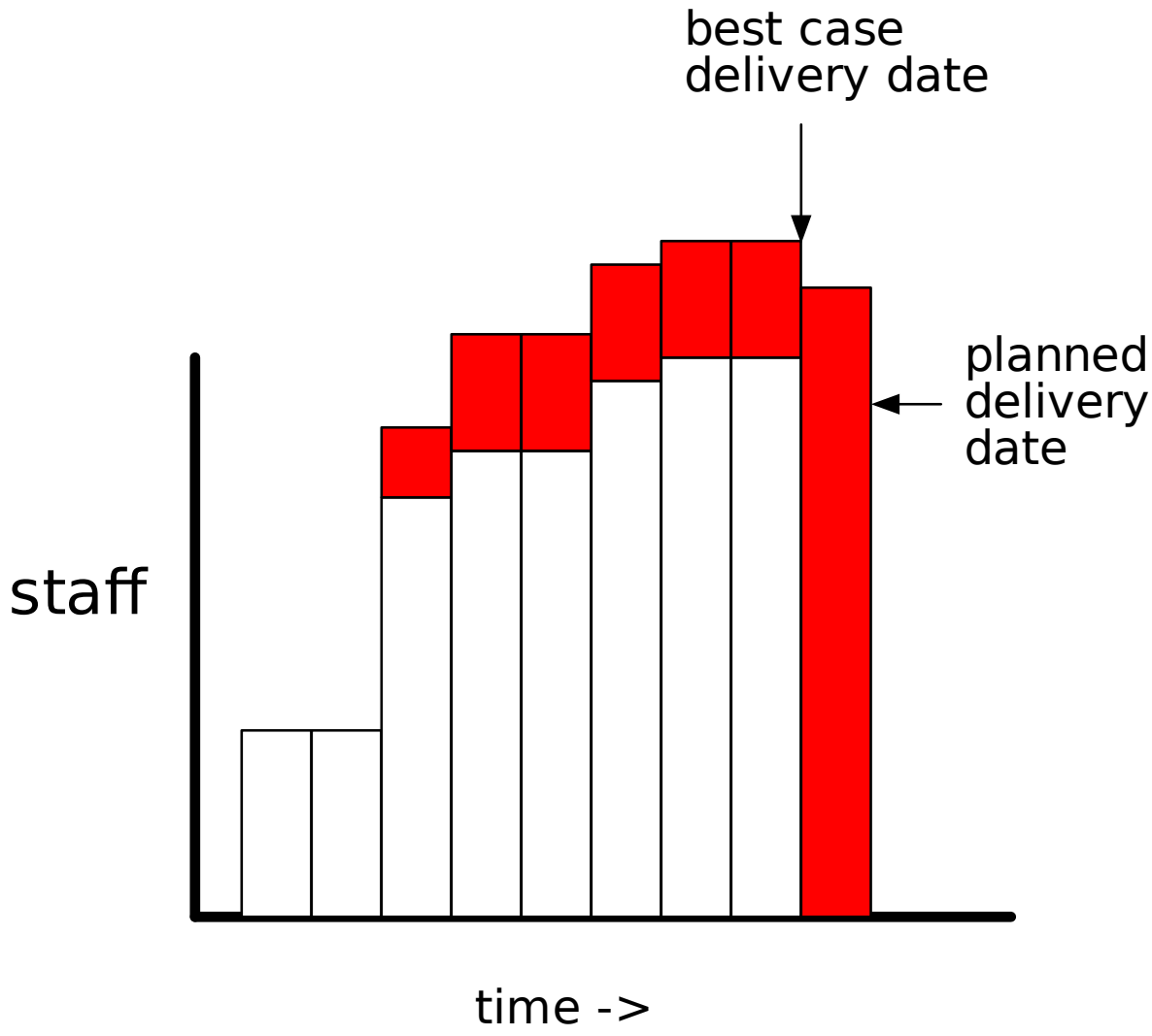
For each indirect risk…

Exposure = probability*cost

It may also cause…

Exposure =


best case
delivery date
staff
time ->


best case
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Build Tripwires into Project Plan

- **What will tell you that you have a problem, not a risk?**
- **Will it go off early enough so that you still have time to mitigate?**
- **Could you get false positives?**

Keep the Process Going

- **No reason to believe that you can identify all risks in one go.**
- **Review risks for changes in likelihood and opportunities for new actions.**
- **Retire a risk; they all move up the list.**

Good Luck on your project...

Good Luck on your project…
Just don’t count on it!

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